TELLS THE FACTS AND NAMES THE NAMES

CounterPunch

JAN. 16-31, 2009 ALEXANDER COCKBURN AND JEFFREY ST. CLAIR VOL. 16, NO. 2

Where Economics Fails
The Problem of Free Trade

By Paul Craig Roberts

This is the second of three parts.

Until recently, economists believed that the case for free trade was unassailable. Most economists still think that the case is secure, but the two necessary conditions for David Ricardo's 200-year-old theory are no longer present in the modern world. Moreover, the latest work in trade theory, *Global Trade and Conflicting National Interests* (MIT Press, 2000), by Ralph E. Gomory and William J. Baumol, shows that the case for free trade was incorrect from the beginning.

Let's begin with the original case for free trade. It is based on the principle of comparative advantage. This principle says that it pays two countries to specialize and to trade even if one country can produce all tradable goods at a lower cost than the other country. This conclusion follows from countries having different "opportunity costs" of producing tradable goods. The opportunity cost of any good is the other goods that could have been produced by the same resources.

Ricardo uses as examples wine and wool. Portugal can produce both wine and wool cheaper than England, but Portugal has to give up more bottles of wine to gain a yard of woolen cloth than England. Thus, Portugal has a comparative advantage in producing wine, and England has a comparative advantage in producing wool. If each country specializes where it has comparative advantage, the total production of wine and wool will be greater than if each country produced both products. "The gains from trade" result from sharing the increase in total output by trading the two com-

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Why Obama's Pick of Dr. Sanjay Gupta as Top Public Health Officer of the U.S. Government is Bad

By Vicente Navarro

President Obama has put forward the name of Dr. Sanjay Gupta, the well-known chief medical correspondent for CNN, for the position of surgeon general of the U.S. Public Health Service – the chief public health officer of the federal government. Dr. Gupta has received wide acclaim as the most important voice on medical matters in the U.S. broadcasting industry. And CNN has played an important role in developing and promulgating the U.S. establishment's conventional wisdom on what is happening in the country's medical care. Dr. Gupta has been a major force in the promotion of that wisdom.

It is important that, before discussing the appropriateness of President Obama's choice for surgeon general, I make a few points about the role of the mainstream media, including CNN, in the country's affairs, in particular, in its major international and domestic conflicts – that is, conflicts not only in, for example, Iraq and Vietnam, but also at home.

As we know, in the buildup to and conduct of the Iraq war, the mainstream media played a crucial role – supporting the invasion and occupation, and uncritically reproducing the Bush administration's justification for this intervention. The mainstream media considered it their primary role to promote the conventional wisdom on this war, and not to challenge or question it. Not until 4,226 Americans and 654,965 Iraqis had been killed did CNN and the other mainstream media start questioning President Bush's and the establishment's justifications for the Iraq War. And it is important to remember that, before reaching this point, CNN and the other mainstream media had consistently ignored, marginalized, or ridiculed those voices that were explaining how the justifications for war had no credibility.

This series of events was nothing new. The same thing had happened with the Vietnam War. This reality on the role of the mainstream media is well known both in the U.S. and abroad. A primary function of the U.S. broadcasting industry is to reproduce the establishment's position on whatever conflict the country is involved in at the time. But not so well known is the mainstream media's (including CNN's) role in the wars at home.

There are types of war other than invasions and occupations abroad occurring right here, in the U.S.A., with deaths, casualties, and enormous suffering – wars taking place without producing a sound. One of them takes place on a daily basis. It is the war carried out by forces in the U.S. that, in defense of their interests, fight to prevent the establishment of one of the basic human rights: access to medical care in time of need – a right, found in all other developed countries but still denied to the citizenry of the U.S. sixty years after President Truman tried to establish it. As a consequence of this, many thousands of people die in the U.S. each year – from 18,000 to more than 100,000, depending on how one defines preventable death – due to lack of medical care. Even if we take the lower figure of 18,000 (given by the conservative Institute of Medicine), this is *six times* the number of people killed in the World Trade Center on 9/11. That event outraged the entire nation (as, indeed, it should), but the death toll due to lack of medical care seems to go unnoticed. These deaths are not reported on the front pages (or any other pages) of the

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mainstream newspapers. These deaths are so much a part of everyday reality for millions of ordinary people in the U.S. that they are not even news. Nor are the facts that 102 million people have insufficient health care coverage, that 44 per cent of terminally ill patients worry about how they or their families are going to pay their medical bills, that the inability to pay medical bills is a primary cause of family bankruptcy in the U.S., and that more than 50 per cent of spending on health care by elderly Americans is still not covered by Medicare – the federal program that was supposed to alleviate the health-care-related worries, concerns and anxieties of our elders. None of these facts are news. Again, they are so much a part of everyday life that they are not considered newsworthy.

And there are many other, closely related facts that rarely appear in the news media. One such fact is that the insurance and pharmaceutical industries, among the most profitable industries in the U.S., are largely responsible for the scandalous situation of the medical care non-system. Besides the "military-industrial complex," responsible for the Iraq and Vietnam wars, there is an "insurance-pharmaceutical industrial complex," responsible for the war at home – an industrial complex that is frequently behind the news programs that so rarely report on this war. The insurance and pharmaceutical industries are extremely profitable. In 2007, insurance company profits were $12 billion and pharmaceutical industry profits $40 billion, among the highest industry profits in the U.S. and in the world. And this insurance-pharmaceutical complex holds enormous economic, political and media power in our country. For example, the economic power of the pharmaceutical industry is used to create artificially high prices for its products. Just one example: Lanzoprasol, a widely used gastric-secretion-reducing medicine, costs $329 in Baltimore, Maryland, but (for the same product, same dose) $9 in Barcelona, Spain (yes, you read correctly: $9).

How can this situation be tolerated? Because, in the U.S., economic power means political power, and political power is facilitated by privatization of the electoral process. These industries buy and influence the political process by donating money to leading politicians whose decisions affect their interests. According to the Center for Responsive Politics, the insurance industry contributed $2,185,727 and the drug industry $1,927,159 to the Obama campaign. The economic and political power of these industries could not be sustained or reproduced, however, without their media power, through their funding of medical and health news and programs in the broadcasting industry (including CNN) that promote their views.

All of this leads me to the Obama administration's choice to head the U.S. Public Health Service (USPHS). First, let me clarify what the USPHS is. This body (with 6,000 health professionals) is the federal agency in charge of the U.S. government institutions and programs responsible for taking care of the population's public health needs. It is also responsible for the federal research institutes, such as the National Institutes of Health. In addition, the Obama administration has decided that the head of the USPHS will play a leading role on the task force in charge of reforming the nation's health care.

The person chosen by President Obama to fill this position is Dr. Sanjay Gupta, a neurosurgeon at Emory Medical School in Atlanta and chief health correspondent for CNN. Dr. Gupta hosts a health program on CNN, sponsored by the medical and pharmaceutical industries, that popularizes today's medical "miracles" and medical interventions. The program tends to focus on new technologies in clinical medicine and on preventing disease through changes in individual behavior. You are unlikely to see on this program any reports on the human tragedies caused by the nation's insurance-based health care non-system, or on the economic abuses of the pharmaceutical industry. The program is presented very smoothly and attractively by Dr. Gupta – described by *People* as one of the sexiest men in the U.S.A.

Gupta also hosts other medical-industry-sponsored TV programs and writes a column in *Time*. He also co-hosts Turner Private Network's monthly show *Accent Health*, which airs in doctors' offices around the country and is a major conduit for targeted ads from the pharmaceutical industry. And, according to Physicians for a National Health Program, in 2003 he downplayed the concerns of the medical community about Vioxx, which was removed from the market a year later by its manufacturer, Merck. Gupta lent support to John McCain's position that, in the U.S., buying private health insurance in the open market is a viable option for most Americans, which is profoundly inaccurate. For the vast majority of people who are without health benefits coverage, it is because they or their employers cannot afford to pay the premiums and costs involved.

On his CNN program, Gupta tried to discredit Michael Moore's documentary film *Sicko*, which is critical of the insurance-based U.S. health care system, by accusing Moore of presenting incorrect facts and manipulating data – strong accusations aimed at challenging Moore's credibility. The problem with Gupta's critique was that, as Paul Krugman noted, it was not Michael Moore but Sanjay Gupta who had his facts wrong and clearly manipulated the data and their presentation. Gupta gave erroneous figures on per capita expenditures and on health indicators in the U.S. and other countries (including Cuba), and he did not correctly identify one of the individuals on his program who was critical of Moore's documentary: Gupta presented him as an academic, but, in fact, he was a Republican consultant to the insurance industry.

And, equally worrisome, Gupta

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showed a remarkable ignorance about the health care systems in several European countries. He tried to dismiss France's universal health care program (defined by WHO as the best in the world) as nonviable economically. He reproduced the widely held erroneous belief that the universal and extensive welfare states in European countries are making their economies very uncompetitive. He stressed that the cost of universal health care in France is creating a public deficit that is a huge handicap to that country's economic development. In fact, in percentage terms, the U.S. government deficit is larger than the French government deficit and, according to Davos (the Vatican of neoliberal thought), the French economy is as competitive as the U.S. economy, with higher productivity than the U.S. Moreover, the public medical care expenditures per capita are larger in the U.S. than in France. While France provides comprehensive benefits to its population, the U.S. does not. With a smaller amount of public funds, France and the majority of developed countries provide comprehensive coverage that will be a dream for the majority of our people.

I find it highly worrisome that Dr. Sanjay Gupta is likely to be appointed head of the USPHS. He is not an expert on public health and is not sufficiently knowledgeable, or competent, to do the job. Training and experience in neurosurgery do not provide the public health knowledge that the position requires. But, what is far more alarming is that he will most likely be the media spokesperson for the task force on health care reform. And this means that a person hostile to a single-payer system (the type of system that has most support among people in the U.S.); a person clearly unsympathetic to the principle of the government's guaranteeing universality of health care coverage; a person who is part of the media that have been obfuscating, negating, and avoiding the real problems in health and medical care in this country, will be in control of selling the message of change in U.S. medical care. Is this the change we were promised by candidate Obama?

For the good of the country, I hope President Obama will be a leading force for change in our medical care non-system. The way of funding and organizing medical care in the U.S. is simply wrong. It is not only that 46 million people do not have any form of insurance, but that the majority of health benefits coverage offered by the insurance industry is, besides expensive, insufficient. As it now stands, the system cannot be shifted toward guaranteeing the basic human right of access to health care in time of need without confronting the insurance-pharmaceutical complex. And the extent of commitment to this human right can be measured by the degree to which President Obama is willing to confront this industrial complex.

A final note. I paid special attention to President Obama's call for a sense of patriotism in his eloquent inaugural address. Love of country is something we can measure. And one measure is the degree to which government guarantees that ordinary people have the right to access to health care. Without that

Gupta isn't sufficiently knowledgeable, or competent, to do the job.

right, the U.S. will not be seen as a credible voice for human rights in the world. It is as simple as that. It is an indicator of how far we have to go that, currently, our major credential for being a country that respects human rights is a guarantee by the Obama administration that the U.S. government will not officially torture. Noble though this purpose is, it is a rather limited and unambitious promotion of a nation's image. It would have created a much better image, at home and abroad, if, on his first day in office, President Obama had signed an executive order committing our government to establishing the human right of access to health care in time of need for every person living in the U.S. – complying, at last, with the United Nations declaration on human rights that – at least until now – the U.S. government has never respected. **CP**

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The opinions expressed in this article are those of the author and do not necessarily reflect the views of the institutions with which he is affiliated.

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modities on terms favorable to both countries. Therefore, specialization and trade will allow each country more consumption of both products than if each country were self-sufficient.

The different opportunity costs of one good in terms of another (the cost of wine in terms of wool) means that the trading partners have different relative price ratios for producing tradable goods. It is this difference that creates comparative advantage. In Ricardo's time, unique national characteristics, climate, and geography were important determinants of relative costs. Today, however, most combinations of inputs that produce outputs are knowledge-based. The relative price ratios are the same in every country. Therefore, as opportunity costs do not differ across national boundaries, there is no basis for comparative advantage.

Ricardo's other necessary condition for comparative advantage is that a country's capital seeks its comparative advantage in its home country and does not seek more productive use abroad. Ricardo confronts the possibility that English capital might migrate to Portugal to take advantage of the lower costs of produc-

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Published twice monthly except July and August, 22 issues a year.

1- year hardcopy edition $45
2- year hardcopy edition $80
1- year email edition $35
2- year email edition $65
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tion, thus leaving the English workforce unemployed, or employed in less productive ways. He is able to dismiss this undermining of comparative advantage because of "the difficulty with which capital moves from one country to another" and because capital is insecure "when not under the immediate control of its owner." This insecurity, "fancied or real," together "with the natural disinclination which every man has to quit the country of his birth and connections, and entrust himself, with all his habits fixed, to a strange government and new laws, check the emigration of capital. These feelings, which I should be sorry to see weakened, induce most men of property to be satisfied with a low rate of profits in their own country, rather than seek a more advantageous employment for their wealth in foreign lands."

Today, these feelings have been weakened. Men of property have been replaced by corporations. Once the large excess supplies of Asian labor were available to American corporations, once Congress limited the tax deductibility of CEO pay that was not "performance related," once Wall Street pressured corporations for higher shareholder returns, once Wal-Mart ordered its suppliers to meet "the Chinese price," once hostile takeovers could be justified as improving shareholder returns by offshoring production, capital departed the country.

Today capital is as mobile as traded goods. Indeed, capital can move with the speed of light, but traded goods have to move by ship or airplane. Economists would be hard-pressed to produce stories of American capital seeking comparative advantage in the 50 states. But they can easily show its flight abroad. Approximately half of U.S. imports from China are the offshored production of U.S. firms for the U.S. market.

Most economists, whom I have labeled "no-think economists," learned in graduate school that to question free trade was to be a protectionist – a designation that could harm one's career. I personally know many economists who are terrified to be anything but free traders, but who have no understanding of the theory on which free trade is based or of the theory's many problems.

For most economists, free trade is a dictum like the Bush regime's dictum that Saddam Hussein had "weapons of mass destruction." The six-year, three trillion dollar war was pointless, just as is the deindustrializing of the United States by free trade.

I am not the only economist who takes issue with the free-trade dogma. A number of competent economists have taken free-trade theory to the cleaners. For example, professors Herman E. Daly and John B. Cobb show the inadequacies of the theory in *For the Common Good* (1989). Professor James K. Galbraith puts the theory to rest in *The Predator State* (2008). Professor Robert E. Prasch, in a 1996 article in the *Review of Political Economy*, demonstrates fundamental problems with the theory. Professor Ron Baiman at DePaul University has shown that Ricardo's theory is "mathematically overdetermined and therefore generally unsolvable." Economist Ian Fletcher demonstrates "Fatal Flaws in the Theory of Comparative Advantage" in a November 6, 2008, *American Economic Alert*. In 2004, America's most famous economist, Paul Samuelson, wrote that an improvement in the productivity of one country can decrease the living standard of another. Thus, when U.S. corporations take their technology abroad and integrate it into the productive capability of a foreign country, they reduce the living standards in their home country.

For most economists, free trade is a dictum like the Bush regime's dictum that Saddam Hussein had "weapons of mass destruction." The six-year, three trillion dollar war was pointless, just as is the deindustrializing of the United States by free trade.

This brings us to Gomory and Baumol. Samuelson's 2004 article is a defense of the powerful new work in trade theory by these two authors. Gomory, one of America's most distinguished mathematicians, and Baumol, a past president of the American Economics Association, show that free-trade theory has many problems because "the modern free-trade world is so different from the original historical setting of the free-trade models."

Gomory and Baumol dismiss the alleged gains from offshoring production for home markets: "in almost all cases, most of the economic benefit stays where the value is added. Profits are usually only a small portion of the value added through economic activity, and most of the value added, such as wages, remains local. It matters to a country to be the site of an economic activity, whoever may own the company."

Gomory and Baumol show that unlike Ricardo's win-win outcome, based on a simple arithmetical example, sophisticated mathematics proves that in most cases "the outcome [from trade] that is best for one country tends not to be good for another." Gomory and Baumol re-establish the gains from trade (win-win situation) as a special case of limited applicability.

The authors conclude that "free trade between nations is not always and automatically beneficial. It can yield many stable equilibria in which a country is worse off than it would be if it isolated itself from trade altogether."

It will take the economics profession twenty years to come to terms with this new work. The myth that America's economic success is based on free trade will be hard to dislodge.

R.W. Thompson, in his *History of Protective Tariff Laws* (1888), shows that protectionism is the father of economic development. Free trade has become an ideology. It once had a Ricardian basis, a basis no longer present in the real world. In the United States of America today, "free trade" is a shield for greed. Short-term gains for management and shareholders are maximized at the expense of the labor force and the economic welfare of the country. Free trade is dismantling the ladders of upward mobility that made America an opportunity society.

CP

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The Man Who Owns the Post

By Bruce Page

Michael Wolff: *The Man Who Owns the News: Inside the Secret World of Rupert Murdoch*, Broadway, 464pp

If, as seems possible, we shall need a block of something to lower onto the grave of western journalism, then Michael Wolff's fat masterpiece of sycophancy might come in handy. Otherwise, its value is slight. The contents matter only insofar as they call for refutation. Chiefly, it's an attempt to tell the story of the *Wall Street Journal* takeover and suffers because there's little to tell. As we knew at the time, the proprietorial Bancrofts were rich, mostly dim and, to a sufficient extent, greedy. Murdoch was, as usual, acquisitive without constructive purpose. Most of us writing about it were concerned only to ensure that the Bancrofts couldn't claim to act in ignorance, bar the invincible sort.

Most of his telling Wolff does in the corporate-groupie style, which may not hold its fashionable position much longer (people seem weary of swaggering by the hyper-rich and their votaries). It requires that breathy present tense in which the author takes station inside a protagonist's brain-pan, and from there reports narrative minutiae with no tedious need for reference:

"... Murdoch knows this is the instant of penetration: that he is inside the envelope; that indefatigable pertinacity has elevated him to a sudden, supernal eminence in media finance; the men across the table, suddenly, are prostrate before him as were the Assyrian horde ... As never previously before a man wearing a singlet under his shirt..."

Okay, I made that up. But, to parody Wolff is less painful than transcribing him. The man's fixation with Murdoch's underwear is quite real all the same, and his reflections about Wendi getting it off first time may not be outdone for roguishness in 2009.

Wolff isn't well equipped for handling aspects of the Murdoch story which matter, as he knows nothing of Australia, little of Britain, and sees America only through the astigmatic lens of gossip.

A true outline can be stated briskly. Rupert's father, Sir Keith, founded the dynasty during World War I as a dirty-tricks minion for "Billy" Hughes, probably Australia's nastiest prime minister. His cover myth as a heroic war reporter has been so thoroughly dismantled that now it impresses none but family retainers and – of course – Mr. Wolff.

At Versailles, Keith was Billy's ever-present aide in striving to make the Peace Conference into a vicious cock-up, rich in racist and imperialist content. Curiously, the pair would have had zero leverage but for the failure of a plot of Keith's, which sought in 1918 to remove Australia's battlefield commander on the Western Front, John Monash, for being an unheroic Jew. (Monash wrote home that it was a bore having to fight a "pogrom" at the same time as fight Ludendorff.) The overall commander, General Douglas Haig, wouldn't play: and Monash's divisions led the British breakthrough at Amiens which, ruining Ludendorff, put Germany – suddenly, unexpectedly– at the Allies' mercy.

Mostly, his newspapers are a sad pack of dogs, especially the *New York Post* and *The Times* of London - absurd vanity sheets by any defensible rules, much as Newscorp's accounts veil their losses.

Haig and other soldiers hoped there might be space for a decent peace. But politicians of various brands thought otherwise and none outdid Keith's boss in vengeful demagoguery, destroying at last all the credit Monash had gained for Australia. Billy and Keith weren't prime authors of the Versailles debacle in 1919. But none toiled harder in its cause.

This ironic history yields two items of present relevance. One, we see the core of the Murdoch business: offering political propaganda services, disguised thinly as journalism. Two, there's the stunning Murdoch talent for seizing the wrong end of any available political or military stick. Keith's estimate of Monash and Rupert's of the pseudo-warrior Bush Jr. were reciprocals, to be sure, but identically crass.

Not that we've seen, over the years, any Murdoch disquiet with the results of serving as an uncritical understrapper to power. Certain flirtations apart, it has made Rupert a comfortable insider aboard the Thatcher-Reagan-Bush juggernaut during its blundering, destructive career. Just now, of course, the thing's a wreck – maybe an irredeemable one – but many lives have been and will be trashed before any consequences reach Murdoch. Implausible as it may now seem, Rupert began with an honorable path before him, and even took some steps along it. In 1950s Australia, he inherited a small but prospering newspaper, run by people who were his friends and admirers. Stirring issues were to hand : notably, the liberation of Australia's indigenous people and the rescue of its white majority from a perilous racist quarrel with its Asian neighbors. These have developed into serious popular movements – but were repugnant for decades to the politicians of orthodoxy. And they, Rupert saw, were the ones dishing out television licenses.

Thus his first, pattern-setting editorial defenestration: of a close, loyal friend who was engaged with him in saving from execution a black man framed for rape and murder. The campaign might have given Murdoch, authentically, the outsider status he always pretends to. But true to subsequent form, he raised what can only be called the white flag. Still, by then the ex-editor, Rohan Rivett, had uncovered sufficient malpractice that the supposed murderer could not be hanged, and only jailed for life. This incomplete act of selfless courage remains unique on Murdoch's record.

Possession of television licenses (well, state monopolies) in South Australia and New South Wales gave him resources enough to mount the world stage, and he arrived in London just as Britain's huge popular newspapers began to realize (belatedly) that they were sick, often mortally so. Here, in the 1970s, was Murdoch's indispensable breakthrough – a complex event, which Wolff totally misunderstands.

British daily papers in the first part of the last century were chiefly a middle-class habit, but by the time of World War

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II nearly everyone was joining up. Causes were manifold: new populist methods in journalism and advertising, astonishing socio-political drama, and overdue consummation of the long drive for working-class literacy.

In 1960, the *Daily Mirror's* circulation was five million. But by the end of the Sixties every popular paper was in trouble. For instance , the *News of the World,* which Murdoch acquired in 1969 with a six-million circulation, had been at eight million 10 years earlier.

Essentially, the popular press (not then "tabloid") had been caught unaware by new postwar waves of education and social advance. Though sneered at by left and right, these were quite real, and meant that popular journalism's audience was split. About half wanted a new, more intelligent product. The other half wanted more of the old one.

Only one proprietor solved this classic media-management problem creatively, and it wasn't Rupert. Vere Harmsworth, while absorbing financial setbacks at his flagship *Daily Mail*, invested heavily in the skills of brilliant, strong-minded editors. The *Mail* raised its sale 50 per cent between 1970 and 2000 – and by organic growth, not transfer from other titles. Pardonably repelled by its berserk politics, liberals often miss the *Mail*'s populist intelligence. It is formidable nonetheless.

Murdoch did otherwise. His target was the behemoth *Mirror*, whose bosses treated the Seventies crisis as an exercise in *felo-de-se*. Having sprinkled some flimsy upmarket features over the old paper, they cut its size and simultaneously raised its price. Murdoch, acquiring the derelict *Sun*, relaunched it as a crude clone of the old *Mirror* – but fatter, cheaper and a tad raunchier. The *Mirror*'s sale collapsed: the *Sun*'s soared, as its lockstep reciprocal. Media economics contains no neater (or better deserved) instance of parasitic symbiosis, but there's nothing of the newspaperman's creativity Wolff purports to admire.

Today the *Sun* (three million) and *Mirror* together sell about four million, as against the *Mirror*'s 1960s five-million peak: a secular decline of 25 per cent (continuing still), while Britain's population grew 25 per cent. The *News of the World*, finding no parasite-host in its Sunday marketplace, has declined more simply, sales having halved under Murdoch control. Rupert the circulation mastermind is a myth as frail as Keith the upright war reporter.

Mostly, his newspapers are a sad pack of dogs, especially the *New York Post* and *The Times* of London – absurd vanity sheets by any defensible rules, much as Newscorp's accounts veil their losses. Sentimentally, perhaps, having served it in pre-Murdoch days, I still see journalism flickering in the London *Sunday Times*. (We owe to it the Downing Street Memorandum, proving intelligence fraud in the Iraq preliminaries – overall, though, it sustained Newscorp's aim of tedious servility to Bush Jr.)

But dogs have their functions. First, even in decline, the British tabloids generate vast cash flow, essential to Newscorp's financial vitality. Second, all the papers, profitable or not, are business accessories of a unique type. They have always been politically deliverable: enabling Murdoch to extract from governments in Australia, America and Britain free passes against regulation, designed to sustain media diversity and independence — printed and electronic. Ronald Reagan, Margaret Thatcher and Tony Blair were his best-known playmates, but leaders of the Australian Labor Party, (specially inclined to fancy that *they* were exploiting Murdoch) must not be forgotten.

Newscorp's rise to television power was a major subplot in the four-decade deregulation epic, now tardily recognized as an unshackling of Caliban. Its dynamics explain Murdoch's unremitting circulation losses. To be *deliverable*, a newspaper (or TV show) must be *predictable*. Then you may manage (even stabilize) its decline, but you mustn't expect organic growth. If you're doing fealty to a bunch of politicians, nothing sucks worse than your staff exposing their misdemeanors – even accidentally – however beguiling for the readers. There are some rib-tickling instances in Harry Evans' account of editing *The Times* while Boss Rupert courted the Thatcher administration. Papers actually were selling fast – but numerous editions agonized Downing Street. Agony communicated itself to Rupert, and firing Harry was the only cure.

The extent to which the powerful could rely on other media bosses predictably to deliver their assets is often exaggerated. Certainly, the old monsters like Hearst, Northcliffe and Beaverbrook were driven

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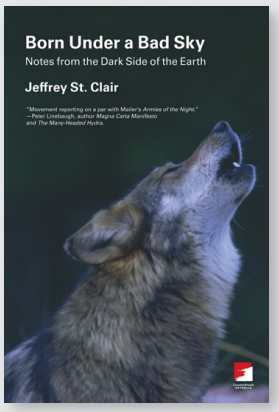

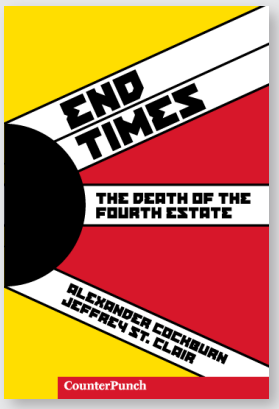

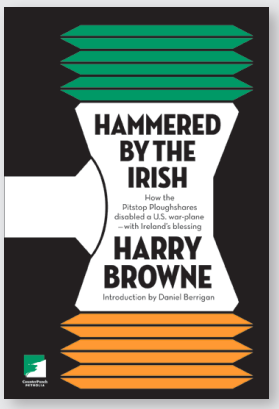
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by unpredictable – indeed, barmy – passions of their own. But Rupert is the supreme pragmatist. Barking right is the default state of his own politics: however, these can be readily overwritten any time there's a deal to do. It may be worth discussing whether he really likes running moribund newspapers. But the commercial point is that politicians love them.

Their production requires editors whose curiosity-quotient addresses itself to thinking what the boss might think, and never to seeking stories which may penetrate unknown territory. Such people may be kind to dogs and beggars – though many of Rupert's retainers are visibly feral – but they produce few exclusives, which impact the real world. Thus, their journalistic product centers on stings, checkbook scoops, antique scandals reheated and celebrity gossip. (Murdoch's alleged desire to abolish Britain's royal family would darken the *Sun* if implemented. But his own dynasty never has done irony.)

Operationally, all this requires a grotesque machinery of bullying, conformity, manipulation and toadyism. Mainly, it is staffed by people who have no exit, as Murdoch service at senior level severely dents a resume. Now and then able people become involved: some find havens where they can work decently and inconspicuously, but most are ejected, or self-eject. (The latter option is disliked. When *The Times* caught tabloid fever and self-trashed its image, Simon Jenkins was hired to do cosmetic repairs but would only sign for two years. Murdoch said he preferred to fire editors himself, but had to accept: of course, he then beat Jenkins to the punch.)

When I wrote *The Murdoch Archipelago* with Elaine Potter, we justified our title by saying that the Murdochs had built a domain as close to personal tyranny as the legal framework of the liberal West will allow. Most observers agree on this, and so do ex-denizens unless they hope for renewed Newscorp favors.

Michael Wolff doesn't disagree. Indeed, he adds a few gruesome details of his own. But what makes him peculiar is that he *admires* the apparat – displaying, in his own coy fashion, much affection for its master. And he goes beyond this when considering his daughter's interest in journalism. There can be no finer place to learn the business, he tells her, than the *New York Post*.

Predictably, dad's admiration involves that smelly old-class warhorse, the Establishment. The critter exists only to be abjured by ruling-class members, determined to escape whatever obligations of law or honor such status might yet attract. Then actions, which would be greedy and irresponsible in a confessed kingpin, become innocent rebellion, undertaken to toss off oppression by invisible elites. Murdoch's acolytes routinely use such hocus-pocus to obscure the true nature of the boss – often from themselves – and Wolff is right there with them. If you can see Murdoch, power's long-term toady, in that light, nothing's beyond your belief, and envisioning the *Post* as a palladium of journalism presents no difficulty. And his long support of it, against disastrous market performance (and by now, surely, a thinned-out political value), indicates that Murdoch feels that way himself.

Some candidates in 2008, notably Obama and Clinton, discovered there is no democratic obligation to help Fox News to "debate" issues under conventions Judge Roy Bean would have disallowed.

It is, after all, his own creation as nothing else is. Fox News was the work of Roger Ailes; the *Sun* – of Larry Lamb and Kelvin McKenzie; the Newscorp (as against original) *Sunday Times* – of Andrew Neil; the Sky satellite network – of the ravening Sam Chisholm. To be sure, they all accepted him as overlord, with sad consequences for their products (and often their ambitions). But, Murdoch myth apart, all of them were hardened pros, doing the hands-on stuff themselves (and fending Rupert off wherever possible).

Their products are not much good, but there is a certain professional gleam: disproof, indeed, of the claim that you can't polish shit. The *Post*, however, is the product unrefined. It represents Rupert doing a complicated, difficult job as best as he can: something, which should make us think hard about the perils which oppress democracy.

It's insufficiently realized that neither Rupert nor his father had any serious training in journalism. Keith, quite late in life, confessed that he might have made a better reporter had things been otherwise; in fact, he came up as freelance scrabbling for lineage in Melbourne's Edwardian suburbs and was, as he said, "sweated." There are few worse starts, as income depends on writing-up uncritically whatever your sources might offer, and developing habits of independent judgment carries serious prospects of hunger.

By the 1950s, metropolitan newspapers in Australia and America (some in Britain) had quite detailed training procedures. Indeed, Keith had assisted their creation. But he created also the dynastic channel through which Rupert passed them by: inheriting straightaway on his father's death the Adelaide *News* business, which Keith had deftly extracted from the public company, of which he was managing director.

Very likely Keith anticipated a few more years, but death looked in while Rupert was still at Oxford – and no more equipped to command a newspaper than command a small warship or run a middle-sized lawsuit. The trust arrangements required his mother, with co-trustees, to certify Rupert's professional readiness, and that pantomime was duly staged.

It's worth, looking back to the Rohan Rivett betrayal, to ask whether Rupert, having seen a few years of hard reporting practice, might have been less daunted by the ridiculous – now forgotten – Pooh-Bahs who were running South Australia just then. But the real question is about maintaining liberty: something, which requires (among other things) regular performance of the arduous, intricate work of journalism.

From many roles of similar complexity we debar the unqualified. Your family may bequeath you an airliner but can't bequeath you the right to fly it. And similarly with a pharmacy – though, as Kipling said, there are no drugs so dangerous as words, where we leave the traffic unrestricted.As we have to. The right to build a noxious empire like Newscorp is an indispensable consequence of freedom of speech. No society, says Rosa Luxemburg, can be healthy without it. (She is the most reliable libertarian: on consulting the right, such as Hayek, one gleans some admirable sentiments. But

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then he starts driveling about authoritarian governments being maybe liberal after all.)

Clearly, this freedom cannot be protected by proscriptive law (although some modest regulations may help, and none of those evaded by Newscorp were or are barriers to freedom, any more than are the rules of libel). It is a matter of conscience, as Luxemburg makes clear with her principle that "freedom is for the other fellow": one that applies even when the other fellow is Murdoch. And, thus, it costs something: a price to be paid by those who believe in it.

It takes various forms, and first comes the effort of keeping your mind from decaying, like Michael Wolff's, until you start disseminating nonsense about Rupert, the anti-establishment radical. There may be hard, rainy days when someone needs to work for Newscorp. But nobody should do it under the illusion (or pretence) of doing society a favor, or learning how to practice journalism.

Murdoch now controls enough of the market for English-language journalism that anyone resolved to keep clear loses some competitive advantage. People – already adequately fixed – should accept the limitation and let Murdoch find his servants elsewhere. We must retire the argument that "if I don't do it, someone else will."

Politicians may find it hardest to break the Newscorp habit. Real journalists, in any medium, may ask awkward questions: it's not only paladins of the right who have found ease with Rupert. And, as a rule, his wants are humble – just deep-sixing a bit of monopoly law the voters know nothing of.

Murdoch himself seems to be grasping that the model he has espoused down the years has shuddered to a halt.

But signs of progress have appeared. In 2008, some candidates, notably Obama and Clinton, discovered there is no democratic obligation to help Fox News "debate" issues under conventions Judge Roy Bean would have disallowed. And many politicians now recognize the view of the British Tory Lord (Chris) Patten: Murdoch's support is only available if you don't need it, and isn't useful even then.

Centrally, Newscorp is just one among the malignancies generated by four decades of upper-crust self-indulgence, disguised as libertarianism. Possibly there's no cure. But if there is, it will come with a moral climate quite unlike the one Murdoch has so far found propitious. So far as climate change is concerned, Murdoch himself seems to be grasping that the model he has espoused down the years has shuddered to a halt. From Davos, at the end of January, he croaked that there's no hiding from the worsening global economic crisis, and stressed the need for speedy "drastic action" to turn the tide. This may cause a tremor of alarm among the fanatics on the *Wall Street Journal*'s editorial page, whose lunacy is authentic and who perhaps fear that the new boss resembles the Dane in being apt to turn sane with a changing wind.

CP

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